

Message Text

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UNCLAS STATE 182190

FOLLOWING REPEAT GUATEMALA 03349 ACTION SECSTATE DATED 1 JUN 75
QUOTE
UNCLAS GUATEMALA 3349

AIDAC

ROCAP

E.O. 11652: N/A
SUBJECT: BLANKSTEIN AND BAKER TDY - SMALL FARMER PURCHASE RESEA-
RCH.

REF: GUATEMALA 2779

1. PROBLEM: UTILIZING THE TRADITIONAL CREDIT SYSTEM, CAN A VIABLE PROGRAM BE DEVELOPED FOR MAKING CREDIT AVAILABLE TO SMALL FARMERS FOR EITHER A) BUYING THE LAND THEY WORK AS TENANTS, OR B) ACQUIRING LIPUTED ADDITIONAL LAND TO WHAT THEY ALREADY OWN.

2. BACKGROUND: THE BOARD OF GOVERNOR'S FOR THE CENTRAL AMERICAN BANK FOR ECONOMIC INTEGRATION (CABEI) HAS MADE DECISION THAT IT WILL GIVE PRIORITY TO DEVELOPMENT OF THE RURAL POOR, AND CABEI UNCLASSIFIED

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HAS BEEN DIRECTED BY THE BOARD TO ESTABLISH GUIDELINES FOR SELECTION OF PROJECTS THAT MAKE A CONVINCING CASE THAT THE RURAL POOR GROUP WILL BE THE MAJOR BENEFICIARIES OF RURAL DEVELOPMENT LOANS TO BE FINANCED BY CABEI. AS PART OF THE PROCESS, CABEI HAS

INDICATED INTEREST IN EXPLORING THE FEASIBILITY OF FINANCING
A SMALL FARMER LAND PURCHASE PROGRAM

3. COURSE OF ACTION: TO DETERMINE THE FEASIBILITY OF A FINANCIAL SYSTEM WORKING THROUGH NATIONAL INSTITUTIONS TO IMPLEMENT LAND PURCHASE PROGRAMS THAT WOULD SIGNIFICANTLY IMPACT ON PRODUCTION AND PRODUCTIVITY OF RURAL POOR, LAND TENURE WOULD BE ANALYZED AS A RESTRAINT TO IMPROVING CONDITIONS OF RURAL POOR. ROCAP AND CABEI WILL JOINTLY UNDER-TAKE ACTIVE RESEARCH PROGRAM UTILIZING FY 76 AND 77 TECHNICAL SKWPORT FUNDS TO EXAMINE THE FOLLOWING AREAS THATLIRECTLY RELATE DETERMINING FEASIBILITY OF DESIGNING SMALL FARMER LAND PURCHASE LOAN FOR FY 78.

A. LAND TENURE PATTERN: A COUNTY BY COUNTRY ANANLYSIS OF THE LAND TENURE PATTERN MUXT BE MADE SO AS TO SHARPLY DEFINE WHAT THE LAND TENURE FROFILE IS IN EACH OF THE CENTRAL AMERICAN COUNTRIES.

B. LAND SALE POTENTIAL: FOR EACH COUNTRY DETERMINE WHAT DEMAND AND SUPPLY FACTORS DETERMINE THE PRICE AT WHICH LAND IS FLD AND RENTED, THE INTEREST OF TENANT FARMERS IN LAND OWNERSHIP, HOW LAND PURCHASE PRICES COMPARE WITH LAND RENTAL RATES BY REGIONS, COUNTRIES, AND CROPS, AND IF PURCHASE PRICE IS A CONTRAINT TO SMALL FARMER PURCHASE.

C. LAND INSTITUTIONAL ANALYSIS FOR EACH COUNTRY TO DETER-MINE: 1) HOW NATIONAL LAND REFORM AGENCY FUNCTIO INCLUDING LLHAT LEGAL POWERS IT HAS, HOW IT PURCHASES, FINANCES AND REDISTRIBUTES LAND AND HOW MUCH OF YEAR-TO-YEAR IMPACT IT HAS. 2) LAND LEGISLATION, PROCEDURES FOR L ND REGISTRATION, TITLANG, TRANQIER, AND TAXATION. 3) STATUS OF NATIONAL CADASTRAL SURVEYS AND LAND CLASSIFICATION PROGRAMS. 4) EXISTENCE OF PRIVATE AGENCIES, FINANCING, DEVELOPING AND TRADING LAND. 5) CAPACITY OF LOCAL SMALL-FARMER TO ACQUIRE OR FINANCE LAND.

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D. MEDIUM AND LONG TERM CREDIT AVAILABILITY: 1) IDENTIFY INTERMEDITATE CREDIT INSTITUTIONS CAPABLE OF DELIVERING CREDIT HOR LAND PURCHASE. 2) ASSIST IN THE DEFINITION OF THE NATURE OF THE REALATIONSHIPS THAT CABEI WOULD HAVE WITH PUBLIC NATIONAL CREDIT INSTITUTIONS THAT CAN DELIVER CREDIT TO THE SMALL FARMERS.

4. ORIGINALLY ROCAP PLANNED TO UNDERTAKE THE STUDY DESCRIBED PARA 3 ABOVE IN CONTEXT OF ANTICIPATED REVIEW OF OPIC PROGRAM IN HONDURAS PER STATE 090100. DUE TO ADMINISTRATIVE PROBLEMS OF INITIATING MOSS AMENDMENT PROGRAM IT IS NOT POSSIBLE TO WAIT ANY LONGER AND ROCAP FEELS IT MUST INITIATE STUDY ON THIS PRIORITY ACTIVITY.

5. BLANKSTEIN AND BAKER WOULD BE EXPECTED TO REFINE FOCUS OF THE ACTION RESEARCH EFFORT DESCRIBED PARA 3 ABOVE AND MAKE SPECIFIC RECOMMENDATIONS HOW TO EXECUTE THIS RESEARCH ACTIVITY UTILIZING APPROXIMATELY \$25,000 IN FY 76 AND \$25,000 IN FY 77 OF TECHNICAL SUPPORT FUNDS LEADING TO EVENTUAL PREPARATION OF FY 78 FOR CAPITAL ASSISTANCE.

6. BLANKSTEIN AND BAKER SNOOULD FAMILIARIZE THEMSELVES WITH FOLLOWING REF.YQRIOR COMING TO ROCAP: 1) INTERCOUNTRY STUDY AID LAND SALE GUATANTEE PROGRAMS REFERRED TO STATE 148037. 2) IRR CABEI - SMALL FARMER RURAL LAND PURCHASE PROGRAM PREPARED BY ROCAP JAN., 75. 3) STUYE 090100. 4) MEMO - WILLIAM C. MORRIL, TA/AGR/ESP TO RONALB BOBEL, PPC/DPRE DATED FEB. 6, 75, ROCAP-CABEI SMALL FARMER RURAL LAND PURCHASE PROGRAM IRR (10,000,000). MEMO - BREEN TO KLNINE, MFEGL 5, 1975, ISSUES FOR THE DAEN - ROCAP IRR - SMALL RAMER TENURE AND PRODUCTION PROGRAM, JAN., 75, AND SUBSEQUENT INTERIM REPORT PREPARED BY USAID/EL SALVADOR.

7. PER REF. ROCAP STILL ANTICIPATING ARRIVAL OF BLANKENSTEIN AND BAKER ON/ABOUT JULY 15. PLEASE ADVISE AS TO THEIR AVAILABILITY AS SOON AS POSSIBLE SO TCET ROCAP CAN MAKE SPECIFIC PLANS.

8. PLEASE PASS CONTENTS THIS CTBLE TO PAUL HEBERT AND CHRIS BAKER OF CUNA. TRAGEN.
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